

Message Text

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PAGE 01 STATE 057958
ORIGIN ARA-10

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DRAFTED BY LA/CAR:WWRHODES, ARA/CAR:GDESANTILLANA/JD
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ARA/ECP: SROGERS (DRAFT)
ARA/CAR: TJCHEAVNER (DRAFT)
LA/DP: ECOUY (DRAFT)
LA/DR: JSANBRAILO (DRAFT)
AA/LA: DMLION (DRAFT)
PPC/PDA: WDREDDING (DRAFT)
LA/CAR: WBWHEELER (DRAFT)

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R 160009Z MAR 77
FM SECSTATE WASHDC
TO AMEMBASSY PORT AU PRINCE

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FOR AMBASSADOR FROM LUERS, ACTING

E.O. 11652: N/A

TAGS: EAID, CECON, HA

SUBJECT: SHIFT TO CAPITAL GRANTS FOR HAITI

REF: PORT AU PRINCE 0627

1. DEPARTMENT AND AID APPRECIATE YOUR THOUGHTFUL TELEGRAM
CONCERNING THE PROPOSED SHIFT TO CAPITAL GRANTS FOR HAITI.
WE SHARE YOUR CONCERN THAT WE SHOULD TRY TO ENSURE BEST USE
OF AID FUNDS FOR HAITI.

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2. AS YOU KNOW, THE ALL-GRANT PROGRAM FOR HAITI STEMS FROM
WORLDWIDE POLICY DECISION ANNOUNCED BY SECRETARY KISSINGER
IN MAY 1976 ADDRESS TO UNCTAD IV IN NAIROBI. PERTINENT
SECTIONS OF ADDRESS WERE: QUOTE THE UNITED STATES PROPOSES
THAT ALL DONOR COUNTRIES AGREE TO PROVIDE ALL DEVELOPMENT
ASSISTANCE TO THE RELATIVELY LEAST DEVELOPED COUNTRIES ON
THE UNCTAD LIST ON A GRANT BASIS. THE UNITED STATES WILL

SEEK AUTHORIZATION FROM THE CONGRESS TO PROVIDE ALL DEVELOPMENT ASSISTANCE TO THE POOREST COUNTRIES ON THIS BASIS. UNQUOTE.

3. WHEN THIS POLICY WAS FORMALIZED FOR FY 77 OBLIGATIONS IN AID'S RECENT FY 78 CONGRESSIONAL PRESENTATION, THE QUESTIONS OUTLINED BY EMBASSY IN REFTEL WERE CONSIDERED.

DECISION WAS MADE THAT IT WOULD NOT BE APPROPRIATE TO SINGLE OUT HAITI AS THE ONLY COUNTRY ON UNCTAD'S LIST OF THE 25 LEAST DEVELOPED COUNTRIES TO BE EXCLUDED FROM WORLD-WIDE POLICY FORMALLY ANNOUNCED BY USG TO UNCTAD. CASES OF JAMAICA AND TUNISIA ARE NOT APPLICABLE, SINCE NEITHER COUNTRY IS ON UNCTAD'S LIST OF THE 25 LEAST-DEVELOPED.

4. IT IS WORTH NOTING THAT THE US WAS NOT THE FIRST DONOR TO PROVIDE ALL ITS ASSISTANCE TO LEAST DEVELOPED COUNTRIES THROUGH GRANTS. AMONG THE MEMBERS OF THE OECD'S DEVELOPMENT ASSISTANCE COMMITTEE (DAC), SEVERAL HAVE HAD ALL-GRANT ASSISTANCE PROGRAMS FOR THE DEVELOPING COUNTRIES FOR SOME YEARS. ACCORDING TO DAC'S 1976 REPORT, BOTH THE UK AND FRANCE INCLUDED AT LEAST A 90 PERCENT OVERALL GRANT ELEMENT IN THEIR TOTAL 1975 OFFICIAL DEVELOPMENT AID.

5. ALTHOUGH IN VIEW OF US COMMITMENT AT UNCTAD IT WILL NOT BE POSSIBLE TO SHIFT TO GRANT/LOAN MIX FOR HAITI, CURRENT AID POLICIES ALLOW USE OF CONDITIONS FOR GRANT-FUNDED CAPITAL PROJECTS SIMILAR TO THOSE TYPICALLY USED LIMITED OFFICIAL USE

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WITH LOAN PROJECTS. FOR EXAMPLE, CONDITIONS PRECEDENT TO DISBURSEMENT CAN BE INCLUDED IN A GRANT AGREEMENT, AS WELL AS IMPLEMENTATION MONITORING PROCEDURES ORDINARILY ASSOCIATED WITH LOAN FUNDED PROJECTS. AID/LA WISHES TO COOPERATE FULLY WITH EMBASSY IN MAINTAINING ALL POSSIBLE FISCAL DISCIPLINE ON HAITI PROJECTS UNDER ALL-GRANT FINANCING.

6. WE HOPE THAT YOU WILL BE ABLE TO USE THESE PROCEDURES AND YOUR PRESENT AUTHORIZATIONS TO BRING ABOUT THE RESULTS THAT YOU - AND WE - DESIRE.

7. SEPTTEL FOLLOWS ON QUESTION OF DEVELOPMENT FINANCE CORPORATION PROJECT (PARA 5C REFTEL).
VANCE

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